

Leakage

Avoiding leakage, or displacement of carbon emissions to another location, is an important principle in designing carbon offset projects. Leakage is used here to mean market leakage. The Workgroup believes that activity-shifting leakage is addressed by setting project boundaries that are entity-wide (or encompass a geographically logical area such as a state or “wood basket”).

In the all-pool carbon accounting context of forest management projects, evaluation of leakage needs to recognize that carbon changes in all pools are considered part of the project. In this context, appropriate leakage questions might be whether a project’s increase in net carbon storage across all pools could lead to: (1) increased (and possibly unsustainable) harvesting elsewhere in ways that deplete in-forest carbon storage; or (2) reduced product demand, undercutting the economics of intensive management elsewhere in ways that deplete in-forest storage.

For purposes of these recommendations, the Workgroup believes that for most projects, their incremental effects on regional, national, and global timber commodity markets are likely to be minimal, and thus leakage can generally be left out of analysis, because:

- 1) All forest management projects are envisioned as including timber harvest. In the all-pool carbon accounting approach, increases in in-forest storage must occur in a way that avoids significant or prolonged losses of carbon to the harvested wood products pools;
- 2) The wood products markets are flexible enough to absorb the incremental effects of carbon projects without causing significant market adjustments elsewhere;
- 3) Indirect market effects that increase or reduce demand for forest products elsewhere, if they do occur, may not have significant net carbon storage effects, when considering the multiple influences on forest management sustainability and in-forest carbon storage.